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DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES
DIVISION OF ENVIRONMENTAL PROTECTION

333 W. Nye Lane, Room 138

Carson City, Nevada 89706

**Testimony of Allen Biaggi, Administrator, Nevada Division of Environmental
Protection on AB 129 (Interest Payments)**

Before the Senate Natural Resources Committee

March 10, 2003

Good afternoon Mr. Chairman and Senate Natural Resource Committee members, my name is Allen Biaggi and I am the Administrator of the Nevada Division of Environmental Protection.

Assembly Bill 129 modifies existing statutory language to allow interest earned in various accounts of the Division be paid back into those accounts. Four programs utilize these accounts and include Hazardous Waste, Air Pollution Control, Chemical Accident Prevention and Mining Regulation and Reclamation.

For background, the Division of Environmental Protection uses a number of internal, non-executive budget accounts as temporary "storehouses" for fees and other revenues. The Division is supported almost exclusively by federal grants and fees. The accounts in question are used to place collected fees and other revenues until such time as expenditures occur and used for program activities. These accounts are interest bearing in accordance with market conditions.

Historically, interest earned in these accounts was credited back to the account where the interest was earned. In mid 2001, the State Treasurer reinterpreted the statutory language governing interest payments for these accounts. In this new interpretation, the interest was not credited to the accounts where earned; rather it was placed into other accounts in the State system.

Earned interest is critical in maintaining a strong and consistent revenue stream within the agency and delays the need to raise fees on the regulated community or seek general fund support. We have historically factored into our budgets interest earned as important revenue components. Additionally, a fairness issue comes into play in all of the

programs but especially in Mining. Beginning in 1999 with the dramatic decrease in precious metals values, mine bankruptcies were occurring on a frequent basis. One result of bankruptcy is the need to maintain on-site fluid management until bond and surety companies came forward and either take over the site or provide state and federal agencies with the necessary monetary resources for management. To its credit, the Mining industry recognized that a gap existed between bankruptcy and performance by the bonding company. Through an industry assessment the Interim Fluid Management Fund was established to bridge this gap. It was the intent and expectation of all parties that earned interest would be credited back to the account to help it grow and to fund additional site management as necessary. Unfortunately, the new interpretation diverted these special use interest funds, generated solely by one industry, to other, unrelated programs in state government.

In light of these concerns, AB 129 modifies the governing language for these accounts to make it clear that interest earned on all funds in the accounts is credited back to those accounts.

I will be happy to answer any questions you may have.